

WARRNAMBOOL
CITY COUNCIL

Annual Report 2017-2018



Warrnambool: A Cosmopolitan City by the Sea



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Warrnambool City Council
25 Liebig Street
Warrnambool
VICTORIA 3280

Tel: (03) 5559 4800
Email: contact@warrnambool.vic.gov.au

Cover: detail of *In Spirit* by Warrnambool artist, Jimmi Buscombe.



WARRNAMBOOL
CITY COUNCIL

Warrnambool City Council Financial report

For the year ended June 30, 2018

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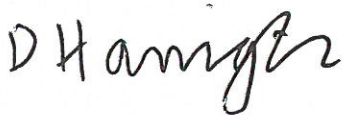
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Financial report - For the year ended June 30, 2018

2017-2018 Financial Report

Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the Local Government Act 1989, the Local Government (Planning and Reporting) Regulations 2014, Australian Accounting Standards and other mandatory professional reporting requirements.

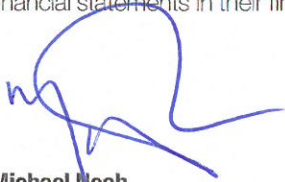


David Harrington CA
Principal Accounting Officer
September 14, 2018
Warrnambool

In our opinion the accompanying financial statements present fairly the financial transactions of Warrnambool City Council for the year ended 30 June 2018 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

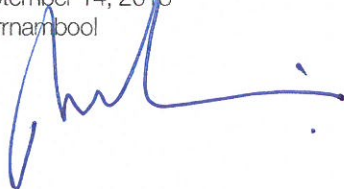
We have been authorised by the Council and by the Local Government (Planning and Reporting) Regulations 2014 to certify the financial statements in their final form.



Michael Neoh
Councillor
September 14, 2018
Warrnambool



Susan Cassidy
Councillor
September 14, 2018
Warrnambool



Bruce Anson
Chief Executive Officer
September 14, 2018
Warrnambool



Independent Auditor's Report

To the Councillors of Warrnambool City Council

| | |
|---|---|
| Opinion | <p>I have audited the financial report of Warrnambool City Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2018 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p> |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Councillors' responsibilities for the financial report | <p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

Level 31 / 35 Collins Street, Melbourne Vic 3000
 T 03 8601 7000 enquiries@audit.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
17 September 2018



Tim Loughnan
as delegate for the Auditor-General of Victoria

Comprehensive income statement - For the year ended June 30, 2018

| | Note | 2018 | 2017 |
|---|--------|-----------------|-----------------|
| Income | | \$'000 | \$'000 |
| Rates and charges | 2.1 | 35,917 | 34,429 |
| Statutory fees and fines | 2.2 | 1,618 | 1,811 |
| User fees | 2.3 | 15,390 | 15,287 |
| Grants - operating | 2.4 | 14,555 | 15,629 |
| Grants - capital | 2.4 | 6,897 | 5,828 |
| Contributions - monetary | 2.5 | 1,545 | 2,379 |
| Contributions - non monetary | 2.5 | 1,460 | 4,806 |
| Found Assets | 2.5(a) | 691 | 2,832 |
| Share of net profits (or loss) of associates and joint ventures | 5.3(a) | 22 | 53 |
| Other income | 2.7 | 765 | 726 |
| Total income | | 78,860 | 83,780 |
| Expenses | | | |
| Employee costs | 3.1 | (31,886) | (31,575) |
| Materials and services | 3.2 | (26,554) | (25,604) |
| Depreciation | 3.3 | (12,265) | (10,936) |
| Bad and doubtful debts | 3.4 | (129) | (259) |
| Borrowing costs | 3.5 | (411) | (492) |
| Other expenses | 3.6 | (781) | (784) |
| Net gain (or loss) on disposal of property, infrastructure, plant and equipment | 2.6 | (810) | (2,465) |
| Total expenses | | (72,836) | (72,115) |
| Surplus/(deficit) for the year | | 6,024 | 11,665 |
| Other comprehensive income | | | |
| Items that will not be reclassified to surplus or deficit in future periods | | | |
| Net asset revaluation increment/(decrement) | 5.2 | (19,530) | 11,695 |
| Share of other comprehensive income of associates and joint ventures | 5.3 | (5) | 6 |
| Total comprehensive result | | (13,511) | 23,366 |

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Balance sheet - As at June 30, 2018

| | Note | 2018 | 2017 |
|--|--------|----------------|----------------|
| | | \$'000 | \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 4.1(a) | 3,570 | 1,564 |
| Trade and other receivables | 4.1(c) | 2,865 | 4,258 |
| Other financial assets | 4.1(b) | 8,000 | 12,000 |
| Inventories | 4.2(a) | 175 | 180 |
| Non-current assets classified as held for sale | 5.1 | 184 | - |
| Other assets | 4.2(b) | 1,261 | 738 |
| Total current assets | | 16,055 | 18,740 |
| Non-current assets | | | |
| Trade and other receivables | 4.1(c) | 24 | 87 |
| Investments in associates, joint arrangements and subsidiaries | 5.3 | 569 | 552 |
| Property, infrastructure, plant and equipment | 5.2 | 654,333 | 667,094 |
| Total non-current assets | | 654,926 | 667,733 |
| Total assets | | 670,981 | 686,473 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 4.3(a) | 3,801 | 4,389 |
| Trust funds and deposits | 4.3(b) | 761 | 648 |
| Provisions | 4.5 | 6,604 | 6,126 |
| Interest-bearing liabilities | 4.4 | 1,542 | 1,835 |
| Total current liabilities | | 12,708 | 12,998 |
| Non-current liabilities | | | |
| Provisions | 4.5 | 1,221 | 1,370 |
| Interest-bearing liabilities | 4.4 | 4,537 | 6,079 |
| Total non-current liabilities | | 5,758 | 7,449 |
| Total liabilities | | 18,466 | 20,447 |
| Net assets | | 652,515 | 666,026 |
| Equity | | | |
| Accumulated surplus | | 219,111 | 212,930 |
| Reserves | 8.1 | 433,404 | 453,096 |
| Total Equity | | 652,515 | 666,026 |

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity - For the year ended June 30, 2018

| | | | Accumulated | Asset Revaluation | Other |
|--|--------|----------|-------------|-------------------|----------|
| | Note | Total | Surplus | Reserve | Reserves |
| 2018 | | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at beginning of the financial year | | 666,026 | 212,930 | 446,997 | 6,099 |
| Surplus/(deficit) for the year | | 6,024 | 6,024 | - | - |
| Other comprehensive income from investment in associates | 5.3 | (5) | (5) | - | - |
| Net asset revaluation increment/(decrement) | 5.2 | (19,530) | - | (19,530) | - |
| Transfers to other reserves | 8.1(b) | - | (626) | - | 626 |
| Transfers from other reserves | 8.1(b) | - | 788 | - | (788) |
| Balance at end of the financial year | | 652,515 | 219,111 | 427,467 | 5,937 |

| | | | Accumulated | Asset Revaluation | Other |
|--|--------|---------|-------------|-------------------|----------|
| | | Total | Surplus | Reserve | Reserves |
| 2017 | | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at beginning of the financial year | | 642,660 | 201,134 | 435,302 | 6,224 |
| Surplus/(deficit) for the year | | 11,665 | 11,665 | - | - |
| Other comprehensive income from investment in associates | 5.3 | 6 | 6 | - | - |
| Net asset revaluation increment/(decrement) | 5.2 | 11,695 | - | 11,695 | - |
| Transfers to other reserves | 8.1(b) | - | (1,002) | - | 1,002 |
| Transfers from other reserves | 8.1(b) | - | 1,127 | - | (1,127) |
| Balance at end of the financial year | | 666,026 | 212,930 | 446,997 | 6,099 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows - For the year ended June 30, 2018

| | | 2018 | 2017 |
|---|---------------|------------------------|------------------------|
| | | Inflows/ (Outflows) | Inflows/ (Outflows) |
| | Note | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Rates and charges | | 35,917 | 34,500 |
| Statutory fees and fines | | 1,618 | 1,651 |
| User fees | | 16,608 | 15,371 |
| Grants - operating | | 14,555 | 14,715 |
| Grants - capital | | 6,897 | 5,828 |
| Contributions - monetary | | 1,545 | 2,379 |
| Interest received | | 261 | 386 |
| Trust funds and deposits taken | | 1,331 | 1,346 |
| Other receipts | | 523 | 427 |
| Net GST refund/(payment) | | 120 | 183 |
| Employee costs | | (31,490) | (31,181) |
| Materials and services | | (26,189) | (25,331) |
| Trust funds and deposits repaid | | (1,218) | (1,418) |
| Interest paid | | (411) | (492) |
| Other payments | | (781) | (761) |
| Net cash provided by/(used in) operating activities | 8.2 | 19,286 | 17,603 |
| Cash flows from investing activities | | | |
| Payments for property, infrastructure, plant and equipment | 5.2 | (19,750) | (14,992) |
| Proceeds from sale of property, infrastructure, plant and equipment | | 305 | 711 |
| Payments for investments | | (8,000) | (32,000) |
| Proceeds from sale of investments | | 12,000 | 29,000 |
| Net cash provided by/(used in) investing activities | | (15,445) | (17,281) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (1,835) | (1,985) |
| Net cash provided by/(used in) financing activities | | (1,835) | (1,985) |
| Net increase (decrease) in cash and cash equivalents | | 2,006 | (1,663) |
| Cash and cash equivalents at the beginning of the financial year | | 1,564 | 3,227 |
| Cash and cash equivalents at the end of the financial year | 4.1(a) | 3,570 | 1,564 |
| Financing arrangements | 4.6 | | |
| Restrictions on cash assets | 4.1 | | |

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of capital works - For the year ended June 30, 2018

| | Note | 2018 | 2017 |
|--|------|---------------|---------------|
| | | \$'000 | \$'000 |
| Property | | | |
| Land improvements | | 99 | 73 |
| Total land | | 99 | 73 |
| Buildings specialised | | 1,156 | 1,534 |
| Buildings non-specialised | | - | 69 |
| Building improvements | | 118 | 21 |
| Total buildings | | 1,274 | 1,624 |
| Total property | | 1,373 | 1,697 |
| Plant and equipment | | | |
| Plant, machinery and equipment | | 1,019 | 2,092 |
| Fixtures, fittings and furniture | | 26 | 124 |
| Computers and telecommunications | | 444 | 1,706 |
| Paintings and exhibits | | 83 | 109 |
| Total plant and equipment | | 1,572 | 4,031 |
| Infrastructure | | | |
| Roads | | 3,365 | 3,899 |
| Bridges | | 13 | 286 |
| Footpaths and cycleways | | 2,790 | 4,613 |
| Drainage | | 297 | 901 |
| Recreational, leisure and community facilities | | 1,066 | 311 |
| Parks, open space and streetscapes | | 8,948 | 335 |
| Aerodromes | | 53 | 59 |
| Off street car parks | | 179 | 17 |
| Other infrastructure | | 94 | 48 |
| Total infrastructure | | 16,805 | 10,469 |
| Total capital works expenditure | 5.2 | 19,750 | 16,197 |
| Represented by: | | | |
| New asset expenditure | | 2,776 | 1,998 |
| Asset renewal expenditure | | 13,143 | 13,327 |
| Asset expansion expenditure | | 152 | 268 |
| Asset upgrade expenditure | | 3,679 | 604 |
| Total capital works expenditure | 5.2 | 19,750 | 16,197 |

The above statement of capital works should be read in conjunction with the accompanying notes.

Notes to the Financial Report - For the year ended June 30, 2018

Overview

Introduction

The Warrnambool City Council was established by an Order of the Governor in Council on 20 September 1994 and is a body corporate.
The Council's main office is located at 25 Liebig Street, Warrnambool.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of employee provisions (refer to Note 4.5)
- the determination of landfill provisions (refer to Note 4.5)

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

Note 1

Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance.

The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of the greater of 10 percent and at least \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 22 June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

Notes to the Financial Report

Note 1.1 Income and expenditure

| | Budget | Actual | Variance | Variance | Ref |
|---|-----------------|-----------------|--------------|-------------|-----|
| | 2018 | 2018 | 2018 | 2018 | |
| | \$'000 | \$'000 | \$'000 | % | |
| Income | | | | | |
| Rates and charges | 35,460 | 35,917 | 457 | 1% | |
| Statutory fees and fines | 1,421 | 1,618 | 197 | 14% | 1 |
| User fees | 16,022 | 15,390 | (632) | (4%) | |
| Grants - operating | 12,983 | 14,555 | 1,572 | 12% | 2 |
| Grants - capital | 4,330 | 6,897 | 2,567 | 59% | 3 |
| Contributions - monetary | 924 | 1,545 | 621 | 67% | 4 |
| Contributions - non monetary | 4,000 | 1,460 | (2,540) | (64%) | 5 |
| Found Assets | - | 691 | 691 | 0% | 6 |
| Interest | 375 | 242 | (133) | (35%) | 7 |
| Share of net profits/(losses) of associates and joint ventures | - | 22 | 22 | 0% | |
| Other income | 350 | 523 | 173 | 49% | 8 |
| Total income | 75,865 | 78,860 | 2,995 | 4% | |
| Expenses | | | | | |
| Employee costs | (31,849) | (31,886) | 37 | (0%) | |
| Materials and services | (22,172) | (26,554) | 4,382 | (20%) | 9 |
| Bad and doubtful debts | (77) | (129) | 52 | (68%) | |
| Depreciation | (10,500) | (12,265) | 1,765 | (17%) | 10 |
| Borrowing costs | (461) | (411) | (50) | 11% | |
| Other expenses | (839) | (781) | (58) | 7% | |
| Net loss on disposal of property, infrastructure, plant and equipment | (1,147) | (810) | (337) | 29% | 11 |
| Total expenses | (67,045) | (72,836) | 5,791 | (9%) | |
| Surplus/(deficit) for the year | 8,820 | 6,024 | 2,796 | 32% | |

Notes to the Financial Report

(i) Explanation of material variations

| Variance ref | Item | Explanation |
|--------------|---|---|
| 1 | Statutory fees and fines | The State Government increased the town planning fees per application. Council also collected higher animal registration income following a review of registered animals. |
| 2 | Grants - operating | Early payment of 50% of the 2018/19 grants commission funding received in June 2018. |
| 3 | Grants - capital | Additional grants received for the Port of Warrnambool (\$307k), Flagstaff Hill (\$450k), Roads to Recovery 2018-19 allocation brought forward (\$341k) and timing on the City Centre renewal project (\$800k). |
| 4 | Contributions - monetary | Additional contributions received from projects where Council is auspice such as Regional Cities Group (\$300k), City Centre renewal works for other organisations (\$134k) and contributions from sporting clubs for recreational projects (\$163k). |
| 5 | Contributions - non monetary | Lower levels of developer activity occurred during the financial year. |
| 6 | Found Assets | Found assets are recorded if they are discovered when Council completes its maintenance program. This mainly occurs with assets that are underground such as drainage and drainage pits. Council does not budget for this item. |
| 7 | Interest | Lower levels of cash held during the year due to the timing of major projects (\$40k). Budgeted interest includes interest on outstanding rate payments of \$90k, with the actual amount classified under rates and charges. |
| 8 | Other income | Higher levels of recoverable legal fees on collection of debts and recoverable WorkCover expenses. |
| 9 | Materials and services | Higher levels of expensed capital works due to works on non-Council assets including drainage (belong to Water Authority), bus shelters (belong to State Government) and street trees. |
| 10 | Depreciation | Review of condition assessments in the 2016-2017 financial year has led to a reduction in useful lives of the road assets which has increased depreciation. |
| 11 | Net loss on disposal of property, infrastructure, plant and equipment | There was a reversal of the impaired Jubilee Park bridge which was not budgeted (\$111k) and the road rehabilitations were on assets which were closer to their end of life than initially budgeted. |

Notes to the Financial Report

| Note 1 | Performance against budget | | | | | |
|---------------|--|---------------|---------------|-----------------|-----------------|------------|
| 1.2 | Capital works | Budget | Actual | Variance | Variance | |
| | | 2018 | 2018 | 2018 | 2018 | |
| | | \$000 | \$000 | \$000 | % | Ref |
| | Property | | | | | |
| | Land non specialised | 300 | - | (300) | (100%) | 1 |
| | Land improvements | - | 99 | 99 | 100% | |
| | Total Land | 300 | 99 | (201) | (67%) | |
| | Buildings | - | 1,156 | 1,156 | 0% | 2 |
| | Building improvements | 1,643 | 118 | (1,525) | (93%) | 2 |
| | Total Buildings | 1,643 | 1,274 | (369) | (22%) | |
| | Total Property | 1,943 | 1,373 | (570) | (29%) | |
| | Plant and Equipment | | | | | |
| | Plant, machinery and equipment | 1,505 | 1,019 | (486) | (32%) | 3 |
| | Fixtures, fittings and furniture | - | 26 | 26 | 0% | |
| | Computers and telecommunications | 305 | 444 | 139 | 46% | 4 |
| | Paintings and exhibits | 15 | 83 | 68 | 453% | |
| | Total Plant and Equipment | 1,825 | 1,572 | (253) | (14%) | |
| | Infrastructure | | | | | |
| | Roads | 5,906 | 3,365 | (2,541) | (43%) | 5 |
| | Bridges | 198 | 13 | (185) | (93%) | 6 |
| | Footpaths and cycleways | 3,920 | 2,790 | (1,130) | (29%) | 5 |
| | Drainage | 1,525 | 297 | (1,228) | (81%) | 7 |
| | Recreational, leisure and community facilities | 946 | 1,066 | (207) | 13% | 8 |
| | Parks, open space and streetscapes | 999 | 8,948 | 7,949 | 796% | 5 |
| | Aerodromes | 30 | 53 | 23 | 77% | |
| | Off street car parks | 57 | 179 | 122 | 214% | 9 |

Notes to the Financial Report

| | Budget | Actual | Variance | Variance | |
|---------------------------------|--------|--------|----------|----------|-----|
| | 2018 | 2018 | 2018 | 2018 | |
| Performance against budget | \$000 | \$000 | \$000 | % | Ref |
| Other infrastructure | 310 | 94 | (216) | (70%) | 10 |
| Total Infrastructure | 13,891 | 16,805 | 2,914 | 21% | |
| Total Capital Works Expenditure | 17,659 | 19,750 | 2,091 | 12% | |
| Represented by: | | | | | |
| New asset expenditure | 1,415 | 2,776 | 1,361 | 96% | 11 |
| Asset renewal expenditure | 14,919 | 13,143 | (1,776) | (12%) | 11 |
| Asset expansion expenditure | - | 152 | 152 | 0% | 11 |
| Asset upgrade expenditure | 1,325 | 3,679 | 2,354 | 178% | 11 |
| Total Capital Works Expenditure | 17,659 | 19,750 | 2,091 | 12% | |

| (i) Explanation of material variations | | |
|--|--|--|
| Variance Ref | Item | Explanation |
| 1 | Land non specialised | Planned land exchange for a car park construction. Delay in purchasing the land required. |
| 2 | Buildings | Deferral of public toilet renewal into the 2018/19 financial year. |
| 3 | Plant, machinery and equipment | Change in fleet policy reduced the turnover of fleet stock during the year. |
| 4 | Computers and telecommunications | Finalisation of Flagstaff Hill sound and light show which was budgeted in 2016. |
| 5 | Roads / Footpaths and cycleways / Parks, open space and streetscapes | All work in progress for the City Centre renewal project (\$6.2 million) is currently classified under the 'Parks, open space and streetscapes' category. Initial works for roads (\$2.75 million) and footpaths (\$2.75 million) were budgeted under their respective category. Once the City Centre renewal project is completed all works will be valued and classified in their correct category. The City Centre renewal project is ahead of schedule with additional works being completed in 2017-2018 which were initially budgeted in future years. |
| 6 | Bridges | A council decision to not proceed with the works on the Ziegler Pde bridge |
| 7 | Drainage | A delay in the works on the Simpson Street drainage project due to a change in contractor. |
| 8 | Recreational, leisure and community facilities | A delay in the Dennington Football Netball Club upgrade project. |
| 9 | Off street car parks | Purchase of the new smart parking meters (\$146k) for the off-street parks were budgeted under the 'Parks, open space and streetscapes' category. |
| 10 | Other infrastructure | Deferral of the Gateway Entrances project into the 2018/19 financial year. |
| 11 | Asset Categories | The entire City Centre project was budgeted as renewal however, on completion some elements have been reclassified as new (street lighting \$1.5 million) and upgrade (Blue stone footpaths \$1.87 million) |

Notes to the Financial Report

| Note 2 | Funding for the delivery of our services | | 2018 | 2017 |
|--------|--|--|---------------|---------------|
| 2.1 | Rates and charges | | \$'000 | \$'000 |
| | Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its imputed market value. | | | |
| | The valuation base used to calculate general rates for 2017/18 was \$6.262 billion (2016/17 \$6.183 billion). | | | |
| | Residential Rates | | 19,077 | 18,439 |
| | Municipal charge | | 4,356 | 4,212 |
| | Waste management charge | | 4,747 | 4,354 |
| | Commercial rates | | 4,608 | 4,409 |
| | Vacant Land rates | | 920 | 843 |
| | Industrial rates | | 1,658 | 1,606 |
| | Urban farm rates | | 400 | 399 |
| | Cultural and recreational land rates | | 65 | 64 |
| | Interest on rates and charges | | 86 | 103 |
| | Total rates and charges | | 35,917 | 34,429 |
| | The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation was first applied in the rating year commencing 1 July 2016. | | | |
| | Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued. | | | |
| 2.2 | Statutory fees and fines | | | |
| | Parking fines | | 443 | 552 |
| | Animal control | | 358 | 459 |
| | Town planning and building | | 438 | 446 |
| | Health and Local Laws | | 141 | 170 |
| | Permits and certificates | | 238 | 184 |
| | Total statutory fees and fines | | 1,618 | 1,811 |
| | Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. | | | |

| 2.3 | User fees | | 2018 | 2017 |
|-----|--|--|---------------|---------------|
| | | | \$'000 | \$'000 |
| | Property management | | 735 | 696 |
| | Indoor aquatic centre | | 2,261 | 2,160 |
| | Childrens services | | 1,976 | 2,074 |
| | Multi Purpose Sports Stadium | | 1,139 | 1,123 |
| | Cultural centres | | 1,316 | 1,439 |
| | Regulatory control | | 1,588 | 1,468 |
| | Tourism and promotion | | 1,400 | 1,328 |
| | Foreshore holiday parks | | 2,870 | 2,753 |
| | Livestock exchange | | 1,000 | 1,217 |
| | Aged services fees | | 774 | 790 |
| | Other fees and charges | | 331 | 239 |
| | Total user fees | | 15,390 | 15,287 |
| | User fees are recognised as revenue when the service has been provided or council has otherwise earned the income. | | | |
| 2.4 | Funding from other levels of government | | | |
| | Grants were received in respect of the following: | | | |
| | Summary of grants | | | |
| | Commonwealth funded grants | | 8,171 | 7,530 |
| | State funded grants | | 13,281 | 13,927 |
| | Total grants received | | 21,452 | 21,457 |
| | (a) Operating Grants | | | |
| | Recurrent - Commonwealth Government | | | |
| | Victoria Grants Commission - Financial Assistance Grant | | 3,022 | 4,406 |
| | Victoria Grants Commission - local roads | | 629 | 950 |
| | Aged Services | | 1,710 | 820 |
| | Other | | 85 | 85 |
| | Recurrent - State Government | | | |
| | Port operations | | 91 | 195 |
| | Employment initiatives | | 2 | 7 |
| | Economic development | | 31 | 87 |
| | Family and children | | 4,857 | 5,305 |
| | Aged services | | 831 | 1,854 |
| | Recreation | | - | 264 |
| | Cultural centres | | 344 | 201 |
| | Rural access | | 293 | 272 |
| | Infrastructure services | | 151 | - |
| | Environment initiatives | | 45 | 67 |
| | School crossing supervision | | 164 | 116 |
| | Pension rebate | | 638 | 622 |
| | Other | | 5 | 171 |
| | Total recurrent operating grants | | 12,898 | 15,422 |

Notes to the Financial Report

| Note 2.4 continued | | |
|--|---------------|---------------|
| | 2018 | 2017 |
| Non-recurrent - Commonwealth Government | \$'000 | \$'000 |
| Aged Services | 79 | - |
| Non-recurrent - State Government | | |
| Economic development | 202 | 12 |
| Family and children | 341 | 89 |
| Aged services | 412 | 106 |
| Recreation | 90 | - |
| Cultural centres | 109 | - |
| Environment initiatives | 244 | - |
| Infrastructure | 139 | - |
| Other | 41 | - |
| Total non-recurrent operating grants | 1,657 | 207 |
| Total operating grants | 14,555 | 15,629 |

| (b) Capital Grants | | |
|--|--------------|--------------|
| Recurrent - Commonwealth Government | | |
| Roads to recovery | 646 | 1,019 |
| Total recurrent capital grants | 646 | 1,019 |
| Non-recurrent - Commonwealth Government | | |
| Infrastructure services | 2,000 | 250 |
| Non-recurrent - State Government | | |
| Infrastructure services | 3,661 | 4,384 |
| Recreation and culture | 140 | 153 |
| Economic development | 450 | 22 |
| Total non-recurrent capital grants | 6,251 | 4,809 |
| Total capital grants | 6,897 | 5,828 |

(c) Unspent grants received on condition that they be spent in a specific manner

| | | |
|---|--------------|--------------|
| Balance at start of year | 1,459 | 997 |
| Received during the financial year and remained unspent at balance date | 1,735 | 944 |
| Received in prior years and spent during the financial year | (1,103) | (482) |
| Balance at year end | 2,091 | 1,459 |

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

Notes to the Financial Report

| | | 2018 | 2017 |
|--------|--|--------------|----------------|
| 2.5(a) | Contributions | \$'000 | \$'000 |
| | Monetary | 1,545 | 2,379 |
| | Non-monetary | 1,460 | 4,806 |
| | Total contributions | 3,005 | 7,185 |
| | Contributions of non monetary assets were received in relation to the following asset classes. | | |
| | Land | 112 | - |
| | Roads | 569 | 2,411 |
| | Drainage | 372 | 1,444 |
| | Footpaths and cycleways | 255 | 627 |
| | Land under roads | 112 | 230 |
| | Paintings and exhibits | 40 | 11 |
| | Other | - | 83 |
| | Total non-monetary contributions | 1,460 | 4,806 |
| | Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset. | | |
| 2.5(b) | Found Assets | | |
| | Found assets were received in relation to the following asset classes | | |
| | Bridges | - | 335 |
| | Roads | 106 | 11 |
| | Drainage | 498 | 1,938 |
| | Footpaths and cycleways | 87 | 24 |
| | Specialised building | - | 36 |
| | Paintings and exhibits | - | 488 |
| | Total found assets | 691 | 2,832 |
| | Found assets are recorded if they are discovered when Council completes its maintenance program. This mainly occurs with assets that are underground such as drainage and drainage pits. | | |
| 2.6 | Net gain/(loss) on disposal of property, infrastructure, plant and equipment | | |
| | Proceeds of sale | 305 | 711 |
| | Impairment gain/(loss) | 111 | - |
| | Written down value of assets disposed | | |
| | R.S.L Building (transfer of ownership) | - | (1,302) |
| | Mortlake Rd Culvert (transfer of ownership) | - | (733) |
| | Plant and equipment | (108) | (221) |
| | Other | (1,118) | (920) |
| | Total net gain/(loss) on disposal of property, infrastructure, plant and equipment | (810) | (2,465) |
| | The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer. | | |

Notes to the Financial Report

| | | 2018 | 2017 |
|------------|----------------------------------|------------|------------|
| | | \$'000 | \$'000 |
| 2.7 | Other income | | |
| | Interest | 242 | 299 |
| | Infrastructure services | 46 | 37 |
| | Recreation and cultural programs | 33 | 17 |
| | Family and community | 13 | 10 |
| | Reimbursements | 270 | 218 |
| | Other Income | 161 | 145 |
| | Total other income | 765 | 726 |

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

| Note 3 | The cost of delivering services | | |
|---------------|--|---------------|---------------|
| | | 2018 | 2017 |
| | | \$'000 | \$'000 |
| 3.1 | (a) Employee costs | | |
| | Wages and salaries | 28,318 | 27,868 |
| | WorkCover | 722 | 823 |
| | Superannuation | 2,569 | 2,615 |
| | Fringe benefits tax | 277 | 269 |
| | Total employee costs | 31,886 | 31,575 |

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

| | | |
|--|------------|------------|
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 247 | 259 |
| | 247 | 259 |

Employer contributions payable at reporting date.

Accumulation funds

| | | |
|--|--------------|--------------|
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 2,311 | 2,343 |
| Employer contributions - other funds | 11 | 13 |
| | 2,322 | 2,356 |

Employer contributions payable at reporting date.

Refer to note 8.3 for further information relating to Council's superannuation obligations.

Notes to the Financial Report

| | | 2018 | 2017 |
|------------|---|---------------|---------------|
| | | \$'000 | \$'000 |
| 3.2 | Materials and services | | |
| | Infrastructure services | 8,277 | 7,385 |
| | Waste management | 2,602 | 3,163 |
| | Recreation and cultural services | 4,135 | 3,949 |
| | Children's services | 983 | 1,167 |
| | Family day care | 393 | 407 |
| | Corporate services | 4,438 | 4,199 |
| | Tourism and promotion | 2,265 | 2,310 |
| | Aged services | 991 | 834 |
| | Foreshore caravan parks | 772 | 649 |
| | Livestock Exchange | 376 | 415 |
| | Health and local laws | 858 | 688 |
| | Other | 464 | 438 |
| | Total materials and services | 26,554 | 25,604 |
| 3.3 | Depreciation | | |
| | Property | 1,986 | 1,962 |
| | Plant and equipment | 1,808 | 1,371 |
| | Infrastructure | 8,471 | 7,603 |
| | Total depreciation | 12,265 | 10,936 |
| | Refer to note 5.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy. | | |
| 3.4 | Bad and doubtful debts | | |
| | Local Laws debtors | 97 | 236 |
| | Other debtors | 32 | 23 |
| | Total bad and doubtful debts | 129 | 259 |
| | Movement in provisions for doubtful debts | | |
| | Balance at the beginning of the year | 125 | 117 |
| | New Provisions recognised during the year | 100 | 125 |
| | Amounts already provided for and written off as uncollectible | - | (117) |
| | Balance at end of year | 225 | 125 |
| | Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified. | | |

Notes to the Financial Report

| | | 2018 | 2017 |
|------------|--|------------|------------|
| | | \$'000 | \$'000 |
| 3.5 | Borrowing costs | | |
| | Interest - Borrowings | 411 | 492 |
| | Total borrowing costs | 411 | 492 |
| | Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. | | |
| 3.6 | Other expenses | | |
| | Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals | 26 | 46 |
| | Auditors' remuneration - Internal | 66 | 73 |
| | Councillor Allowances | 265 | 235 |
| | Operating lease rentals | 424 | 419 |
| | Other expenses | - | 11 |
| | Total other expenses | 781 | 784 |

Notes to the Financial Report

| Note 4 | Our financial position | 2018 | 2017 |
|--------|---|---------------|---------------|
| 4.1 | Financial assets | \$'000 | \$'000 |
| | (a) Cash and cash equivalents | | |
| | Cash on hand | 28 | 30 |
| | Cash at bank | 3,542 | 1,534 |
| | Total cash and cash equivalents | 3,570 | 1,564 |
| | (b) Other financial assets | | |
| | Term deposits - current | 8,000 | 12,000 |
| | Total other financial assets | 8,000 | 12,000 |
| | Total financial assets | 11,570 | 13,564 |
| | Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include: | | |
| | - Resort and recreation reserve (Note 8.1 (b)) | 414 | 422 |
| | - Trust funds and deposits (Note 4.3(b)) | 761 | 648 |
| | Total restricted funds | 1,175 | 1,070 |
| | Total unrestricted cash and cash equivalents | 2,395 | 494 |
| | Intended allocations | | |
| | Although not externally restricted the following amounts have been allocated for specific future purposes by Council: | | |
| | - Cash held to fund carried forward capital works | 3,981 | 4,581 |
| | Total funds subject to intended allocations | 3,981 | 4,581 |
| | Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts. | | |
| | Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense. | | |

Notes to the Financial Report

| | | 2018 | 2017 |
|-----|--|--------------|--------------|
| 4.1 | (c) Trade and other receivables | \$'000 | \$'000 |
| | Current | | |
| | <i>Statutory receivables</i> | | |
| | Rates debtors | 760 | 933 |
| | Infringement debtors | 327 | 227 |
| | Provision for doubtful debts | (190) | (110) |
| | <i>Non statutory receivables</i> | | |
| | Development and buildings | 177 | 39 |
| | Animals | 32 | 21 |
| | Child care | 47 | 52 |
| | TAFE | 63 | 60 |
| | Fire Service Levy | 5 | 6 |
| | Other debtors | 1,260 | 2,423 |
| | Provision for doubtful debts | (35) | (15) |
| | Loans and advances to community organisations | 56 | 90 |
| | GST receivable | 363 | 532 |
| | Total current trade and other receivables | 2,865 | 4,258 |
| | Non-current | | |
| | <i>Non statutory receivables</i> | | |
| | Loans and advances to community organisations | 24 | 87 |
| | Total non-current trade and other receivables | 24 | 87 |
| | Total trade and other receivables | 2,889 | 4,345 |
| | Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method. | | |
| | Ageing of Receivables | | |
| | The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was: | | |
| | Current (not yet due) | 1,436 | 2,940 |
| | Past due by up to 30 days | 165 | 40 |
| | Past due between 31 and 180 days | 145 | 84 |
| | Past due between 181 and 365 days | 115 | 44 |
| | Past due by more than 1 year | 107 | 100 |
| | Total trade & other receivables | 1,968 | 3,208 |

Notes to the Financial Report

| 4.2 | Non-financial assets | 2018 | 2017 |
|-----|---|--------------|--------------|
| | (a) Inventories | \$'000 | \$'000 |
| | Inventories held for distribution | 71 | 73 |
| | Inventories held for sale | 104 | 107 |
| | Total inventories | 175 | 180 |
| | Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition. | | |
| | (b) Other assets | | |
| | Prepayments | 906 | 304 |
| | Accrued income | 355 | 434 |
| | Total other assets | 1,261 | 738 |
| 4.3 | Payables | | |
| | (a) Trade and other payables | | |
| | Trade payables | 924 | 930 |
| | GST payable | 88 | 137 |
| | Accrued expenses | 2,696 | 3,191 |
| | Fire service levy liability | 93 | 131 |
| | Total trade and other payables | 3,801 | 4,389 |
| | (b) Trust funds and deposits | | |
| | Refundable developer deposits | 570 | 542 |
| | Contract retention amounts | 20 | - |
| | Other refundable deposits | 171 | 106 |
| | Total trust funds and deposits | 761 | 648 |
| | Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit. | | |
| | Purpose and nature of items | | |
| | Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities. | | |
| | Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the State Government in line with that process. | | |
| | Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations. | | |

Notes to the Financial Report

| 4.4 | Interest-bearing liabilities | | |
|-----|------------------------------|--------------|--------------|
| | | 2018 | 2017 |
| | | \$'000 | \$'000 |
| | Current | | |
| | Borrowings - secured (1) | 1,542 | 1,835 |
| | | 1,542 | 1,835 |
| | Non-current | | |
| | Borrowings - secured (1) | 4,537 | 6,079 |
| | | 4,537 | 6,079 |
| | Total | 6,079 | 7,914 |

(1) Borrowings are secured by Council's rate revenue

(a) The maturity profile for Council's borrowings is:

| | | |
|---|--------------|--------------|
| Not later than one year | 1,542 | 1,835 |
| Later than one year and not later than five years | 4,537 | 4,623 |
| Later than five years | - | 1,456 |
| | 6,079 | 7,914 |

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

Notes to the Financial Report

| Note 4.5 cont' | | 2018 | 2017 |
|-------------------|---|--------|--------|
| | (a) Employee provisions | \$'000 | \$'000 |
| | Current provisions expected to be wholly settled within 12 months | | |
| | Annual leave | 1,797 | 1,901 |
| | Long service leave | 456 | 468 |
| | | 2,252 | 2,369 |
| | Current provisions expected to be wholly settled after 12 months | | |
| | Annual leave | 506 | 221 |
| | Long service leave | 3,765 | 3,456 |
| | | 4,272 | 3,677 |
| | Total current employee provisions | 6,524 | 6,046 |
| | Non-current | | |
| | Long service leave | 497 | 586 |
| | Total non-current employee provisions | 497 | 586 |
| | Aggregate carrying amount of employee provisions: | | |
| | Current | 6,524 | 6,046 |
| | Non-current | 497 | 586 |
| | Total aggregate carrying amount of employee provisions | 7,021 | 6,632 |

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Notes to the Financial Report

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

| Key assumptions: | 2018 | 2017 |
|-------------------------|-------------|-------------|
| - on-cost rate | 11.270% | 11.590% |
| - wage inflation rate | 3.875% | 4.125% |
| - discount rate | 2.647% | 1.990% |

| | 2018 | 2017 |
|--|---------------|---------------|
| (b) Landfill rehabilitation provision | \$'000 | \$'000 |
| Current | 80 | 80 |
| Non-current | 724 | 784 |
| | 804 | 864 |

Council is obligated to rehabilitate Watson Street landfill to a particular standard. The forecast life of the site is based on current requirements to monitor and provide after-care rehabilitation of the site. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to rehabilitate and monitor the site to a particular standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

| Key assumptions: | 2018 | 2017 |
|---------------------------------|-------------|-------------|
| - rehabilitation years | 30 | 30 |
| - remaining rehabilitated years | 11 | 12 |
| - inflation rate | 2.0% | 2.0% |

4.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2018

| | | |
|--------------------------|------------|------------|
| Bank overdraft | 200 | 200 |
| Credit card facilities | 150 | 150 |
| Total facilities | 350 | 350 |
| Used facilities | 84 | - |
| Unused facilities | 266 | 350 |

Notes to the Financial Report

| 4.7 | Commitments | | | | | |
|------|--|-----------------------|--|---|--------------------|--------------|
| | The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet and are disclosed at their nominal value and presented inclusive of the GST payable. | | | | | |
| 2018 | | Not later than 1 year | Later than 1 year and not later than 2 years | Later than 2 years and not later than 5 years | Later than 5 years | Total |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | Operating | | | | | |
| | Recycling collection | 402 | - | - | - | 402 |
| | Waste collection | 830 | - | - | - | 830 |
| | Transactional banking | 88 | 90 | 15 | - | 194 |
| | Cleaning services | 333 | 71 | 18 | - | 422 |
| | Security Services | 128 | - | - | - | 128 |
| | Parking Services | 83 | 85 | 43 | - | 211 |
| | Animal Services | 110 | - | - | - | 110 |
| | Internal Audit | 51 | - | - | - | 51 |
| | Meals for delivery | 134 | - | - | - | 134 |
| | Total | 2,160 | 246 | 77 | - | 2,482 |
| | Capital | | | | | |
| | Information Technology | 50 | - | - | - | 50 |
| | Infrastructure | 185 | - | - | - | 185 |
| | Roads & Paths | 1,947 | - | - | - | 1,947 |
| | Drainage | 1,379 | - | - | - | 1,379 |
| | Total | 3,561 | - | - | - | 3,561 |

Notes to the Financial Report

| 2017 | Not later than 1 year | Later than 1 year and not later than 2 years | Later than 2 years and not later than 5 years | Later than 5 years | Total |
|------------------------|-----------------------|--|---|--------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating | | | | | |
| Recycling | 387 | 395 | - | - | 782 |
| Waste collection | 799 | 815 | - | - | 1,614 |
| Transactional banking | 14 | - | - | - | 14 |
| Cleaning services | 256 | 261 | - | - | 517 |
| Security services | 126 | 128 | - | - | 254 |
| Internal audit | 24 | - | - | - | 24 |
| Meals for delivery | 190 | 194 | - | - | 384 |
| Total | 1,796 | 1,793 | - | - | 3,589 |
| Capital | | | | | |
| Information Technology | 257 | - | - | - | 257 |
| Infrastructure | 185 | - | - | - | 185 |
| Roads | 4,251 | - | - | - | 4,251 |
| Drainage | 771 | - | - | - | 771 |
| Total | 5,464 | - | - | - | 5,464 |

Notes to the Financial Report

| | 2018 | 2017 |
|------------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Operating lease commitments | | |

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):

| | | |
|---|--------------|--------------|
| Not later than one year | 332 | 400 |
| Later than one year and not later than five years | 672 | 812 |
| Later than five years | - | - |
| | 1,004 | 1,212 |

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

| Note 5 | Assets we manage | | |
|--------|---|------------|----------|
| 5.1 | Non-current assets classified as held for sale | | |
| | | 2018 | 2017 |
| | | \$'000 | \$'000 |
| | Cost of acquisition | 204 | - |
| | Accumulated depreciation | (20) | - |
| | Total non-current assets classified as held for sale | 184 | - |

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of their carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

Notes to the Financial Report

| Note 5.2 Property, infrastructure, plant and equipment | | | | | | | | | | |
|---|---------------------------------------|------------------|----------------------|---------------------|--------------------|---------------------|-----------------|------------------|------------------|---------------------------------------|
| Summary of property, infrastructure, plant and equipment | | | | | | | | | | |
| | At Fair Value 30 June 2017 | Additions | Contributions | Found Assets | Revaluation | Depreciation | Disposal | Write-off | Transfers | At Fair Value 30 June 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Land | 161,491 | 99 | 224 | - | - | (24) | - | - | - | 161,790 |
| Buildings | 134,223 | 1,182 | - | - | - | (1,962) | - | - | 7 | 133,450 |
| Plant and equip- ment | 21,501 | 1,572 | 42 | - | - | (1,808) | (108) | - | 192 | 21,391 |
| Infrastructure | 344,241 | 9,662 | 1,196 | 691 | (19,530) | (8,471) | (1,119) | 111 | 2,875 | 329,656 |
| Work in progress | 5,638 | 7,235 | - | - | - | - | - | (1,569) | (3,258) | 8,046 |
| Total | 667,094 | 19,750 | 1,462 | 691 | (19,530) | (12,265) | (1,227) | (1,458) | (184) | 654,333 |

| Summary of Work in Progress | Opening WIP | Additions | Write-off | Transfers | Closing WIP |
|--|--------------------|------------------|------------------|------------------|--------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Buildings | 217 | 326 | (104) | (7) | 432 |
| Plant and equip- ment | 163 | 29 | - | (192) | - |
| Infrastructure | 5,257 | 6,880 | (1,465) | (3,059) | 7,613 |
| Total | 5,637 | 7,235 | (1,569) | (3,258) | 8,045 |

Notes to the Financial Report

| Asset recognition thresholds and depreciation periods | | |
|---|---------------------|-----------------|
| | Depreciation Period | Threshold Limit |
| | | \$'000 |
| Land & land improvements | | |
| land | n/a | 0 |
| land improvements | 20 - 200 years | 5 |
| Buildings | | |
| buildings | 30 - 100 years | 5 |
| building improvements | 25 - 60 years | 1 |
| leasehold improvements | 10 - 20 years | 1 |
| Plant and Equipment | | |
| plant, machinery and equipment | 3 - 40 years | 1 |
| fixtures, fittings and furniture | 2 - 25 years | 1 |
| computers and telecommunications | 5 - 20 years | 1 |
| paintings and exhibitions | n/a | 0 |
| Infrastructure | | |
| roads | 16 - 200 years | 5 |
| bridges | 30 - 200 years | 5 |
| footpaths and cycleways | 15 - 65 years | 5 |
| drainage | 20 - 200 years | 1 |
| recreational, leisure and community facilities | 20 - 80 years | 1 |
| parks, open spaces and streetscapes | 15 - 80 years | 5 |
| off street car parks | 16 - 200 years | 5 |
| aerodromes | 16 - 100 years | 1 |
| other infrastructure | 20 - 60 years | 5 |

Notes to the Financial Report

| (a) Land and Buildings | Land - specialised | Land - non specialised | Land improvements | Total Land & Land Improvements | Buildings - specialised | Buildings - non specialised | Building improvements | Total Buildings | Work In Progress | Total Land and Buildings |
|--|--------------------|------------------------|-------------------|--------------------------------|-------------------------|-----------------------------|-----------------------|-----------------|------------------|--------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At fair value 1 July 2017 | 158,204 | 2,726 | 896 | 161,826 | 148,748 | 3,065 | 785 | 152,598 | 217 | 314,641 |
| Accumulated depreciation at 1 July 2017 | - | - | (335) | (335) | (18,135) | (39) | (201) | (18,375) | - | (18,710) |
| | 158,204 | 2,726 | 561 | 161,491 | 130,613 | 3,026 | 584 | 134,223 | 217 | 295,931 |
| Movements in fair value | | | | | | | | | | |
| Additions | - | - | 99 | 99 | 1,064 | - | 118 | 1,182 | 326 | 1,607 |
| Non-cash contributed assets | 224 | - | - | 224 | - | - | - | - | - | 224 |
| Found Assets | - | - | - | - | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | 7 | - | - | 7 | (7) | - |
| Work in progress expensed through operating result | - | - | - | - | - | - | - | - | (104) | (104) |
| Impairment losses recognised in operating result | - | - | - | - | - | - | - | - | - | - |
| | 224 | - | 99 | 323 | 1,071 | - | 118 | 1,189 | 215 | 1,727 |
| Movements in accumulated depreciation | | | | | | | | | | |
| Depreciation and amortisation | - | - | (24) | (24) | (1,898) | (39) | (25) | (1,962) | - | (1,986) |
| Accumulated depreciation of disposals | - | - | - | - | - | - | - | - | - | - |
| Impairment losses recognised in operating result | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| | - | - | (24) | (24) | (1,898) | (39) | (25) | (1,962) | - | (1,986) |
| At fair value 30 June 2018 | 158,428 | 2,726 | 995 | 162,149 | 149,819 | 3,065 | 903 | 153,787 | 432 | 316,368 |
| Accumulated depreciation at 30 June 2018 | - | - | (359) | (359) | (20,033) | (78) | (226) | (20,337) | - | (20,696) |
| | 158,428 | 2,726 | 636 | 161,790 | 129,786 | 2,987 | 677 | 133,450 | 432 | 295,672 |

Notes to the Financial Report

| (b) Plant and Equipment | | | | | | |
|--|--------------------------------------|--|---------------------------------|-------------------------------|-------------------------|----------------------------------|
| | Plant machinery and equipment | Fixtures fittings and furniture | Computers and tele-comms | Paintings and exhibits | Work in Progress | Total plant and equipment |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At fair value 1 July 2017 | 9,099 | 5,630 | 5,747 | 11,576 | 163 | 32,215 |
| Accumulated depreciation at 1 July 2017 | (4,490) | (4,475) | (1,586) | - | - | (10,551) |
| | 4,609 | 1,155 | 4,161 | 11,576 | 163 | 21,664 |
| Movements in fair value | | | | | | |
| Additions | 1,019 | 26 | 444 | 83 | 29 | 1,601 |
| Non-cash contributed assets | 2 | - | - | 40 | - | 42 |
| Found Assets | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - |
| Disposal | (991) | - | (19) | - | - | (1,010) |
| Transfers | - | - | 192 | - | (192) | - |
| Impairment losses recognised in operating result | - | - | - | - | - | - |
| | 30 | 26 | 617 | 123 | (163) | 633 |
| Movements in accumulated depreciation | | | | | | |
| Depreciation and amortisation | (1,054) | (104) | (650) | - | - | (1,808) |
| Accumulated depreciation of disposals | 883 | - | 19 | - | - | 902 |
| Impairment losses recognised in operating result | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - |
| | (171) | (104) | (631) | - | - | (906) |
| At fair value 30 June 2018 | 9,129 | 5,656 | 6,364 | 11,699 | - | 32,848 |
| Accumulated depreciation at 30 June 2018 | (4,661) | (4,579) | (2,217) | - | - | (11,457) |
| | 4,468 | 1,077 | 4,147 | 11,699 | - | 21,391 |

Notes to the Financial Report

| (c) Infrastructure | | | | | | | | | | | |
|--|---------------|----------------|--------------------------------|-----------------|--|---|-------------------|-----------------------------|------------------------------|-------------------------|------------------------------|
| | Roads | Bridges | Footpaths and cycleways | Drainage | Recreational, leisure and community | Parks open spaces and streetscapes | Aerodromes | Off street car parks | Other Infra-structure | Work In Progress | Total Infra-structure |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At fair value 1 July 2017 | 252,161 | 32,506 | 47,883 | 79,980 | 5,489 | 9,986 | 9,959 | 13,869 | 7,674 | 5,258 | 464,765 |
| Accumulated depreciation at 1 July 2017 | (46,184) | (9,976) | (20,649) | (21,614) | (3,930) | (5,503) | (1,367) | (2,697) | (3,346) | - | (115,266) |
| | 205,977 | 22,530 | 27,234 | 58,366 | 1,559 | 4,483 | 8,592 | 11,172 | 4,328 | 5,258 | 349,499 |
| Movements in fair value | | | | | | | | | | | |
| Additions | 3,324 | 13 | 2,604 | 128 | 739 | 2,587 | 53 | 166 | 48 | 6,880 | 16,542 |
| Non-cash contributed assets | 569 | - | 255 | 372 | - | - | - | - | - | - | 1,196 |
| Found Assets | - | - | 87 | 498 | 106 | - | - | - | - | - | 691 |
| Revaluation increment / (decrement) | (8,708) | - | 494 | - | 78 | - | - | - | - | - | (8,136) |
| Disposal | (3,160) | - | (96) | (40) | (6) | (16) | - | (50) | (17) | - | (3,385) |
| Transfers | 2,058 | - | 227 | 453 | - | 315 | - | (204) | 6 | (3,059) | (204) |
| Work in progress expensed through operating result | - | - | - | - | - | - | - | - | - | (1,465) | (1,465) |
| Impairment losses recognised in operating result | - | - | - | - | - | - | - | - | - | - | - |
| | (5,917) | 13 | 3,571 | 1,411 | 917 | 2,886 | 53 | (88) | 37 | 2,356 | 5,239 |
| Movements in accumulated depreciation | | | | | | | | | | | |
| Depreciation and amortisation | (4,860) | (349) | (1,082) | (798) | (189) | (370) | (219) | (426) | (178) | - | (8,471) |
| Accumulated depreciation of disposals | 2,184 | - | 8 | 15 | - | 16 | - | 39 | 4 | - | 2,266 |
| Revaluation increment / (decrement) | (11,134) | - | (207) | - | (53) | - | - | - | - | - | (11,394) |
| Impairment losses recognised in operating result | - | 111 | - | - | - | - | - | - | - | - | 111 |
| Transfers | 146 | - | 92 | - | (28) | 348 | - | 20 | (558) | - | 20 |
| | (13,664) | (238) | (1,189) | (783) | (270) | (6) | (219) | (367) | (732) | - | (17,468) |
| At fair value 30 June 2018 | 246,244 | 32,519 | 51,454 | 81,391 | 6,406 | 12,872 | 10,012 | 13,781 | 7,711 | 7,614 | 470,004 |
| Accumulated depreciation at 30 June 2018 | (59,848) | (10,214) | (21,838) | (22,397) | (4,200) | (5,509) | (1,586) | (3,064) | (4,078) | - | (132,734) |
| | 186,396 | 22,305 | 29,616 | 58,994 | 2,206 | 7,363 | 8,426 | 10,717 | 3,633 | 7,614 | 337,270 |

Notes to the Financial Report

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Land under roads

Council recognises land under roads it controls at fair value from 1 January 2008.

Depreciation and amortisation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Land and Artworks are not depreciated

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Notes to the Financial Report

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer SPM Consultants, in consultation with Mr John Finnerty Adv.Dip.Man, Coordinator Strategic Asset Management with Warrnambool City Council. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Non-specialised buildings were professionally valued in 2016. The current valuation of specialised buildings is based on a component level condition assessment and depreciated replacement cost, based on information by SPM Consultants who were engaged by Warrnambool City Council.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

The date of the current valuation is detailed in the following table.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2018 are as follows:

| | Level 1 | Level2 | Level 3 | Date of Valuation |
|-----------------------------|----------|--------------|----------------|-------------------|
| | \$'000 | \$'000 | \$'000 | |
| Land - non specialised | - | 2,726 | - | 30/06/2015 |
| Land - specialised | - | - | 158,428 | 30/06/2015 |
| Land Improvements | - | - | 636 | 30/06/2015 |
| Buildings - non specialised | - | 2,987 | - | 30/06/2016 |
| Buildings - specialised | - | - | 129,786 | 1/01/2018 |
| Building improvements | - | - | 677 | 1/01/2018 |
| Total | - | 5,713 | 289,527 | |

Notes to the Financial Report

Valuation of infrastructure

Valuation of infrastructure assets was performed by Mr John Finnerty Adv.Dip.Man, Coordinator Strategic Asset Management with Warrnambool City Council.

The date of the current valuation is detailed in the following table.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2018 are as follows:

| | Level 1 | Level2 | Level 3 | Date of Valuation |
|--|----------|----------|----------------|-------------------|
| | \$'000 | \$'000 | \$'000 | |
| Roads | - | - | 186,396 | 1/01/2018 |
| Bridges | - | - | 22,305 | 1/01/2018 |
| Footpaths and cycleways | - | - | 29,616 | 1/01/2018 |
| Drainage | - | - | 58,994 | 1/07/2017 |
| Recreational, leisure and community facilities | - | - | 2,206 | 1/07/2017 |
| Parks, open space and streetscapes | - | - | 7,363 | 1/01/2018 |
| Aerodromes | - | - | 8,426 | 30/06/2017 |
| Off street car parks | - | - | 10,717 | 30/06/2017 |
| Other infrastructure | - | - | 3,633 | 1/07/2017 |
| Total | - | - | 329,656 | |

Notes to the Financial Report

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 70% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.12 and \$939 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement cost is calculated on a square metre basis and ranges from \$258 to \$3,905 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 years to 200 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

| | 2018 | 2017 |
|------------------------------------|---------|---------|
| Reconciliation of specialised land | \$'000 | \$'000 |
| Land under roads | 3,486 | 3,374 |
| Crown land | 75,144 | 75,144 |
| Council freehold land | 79,798 | 79,686 |
| Total specialised land | 158,428 | 158,204 |

Notes to the Financial Report

| | 2018 | 2017 |
|---|--------|--------|
| 5.3 | \$'000 | \$'000 |
| Investments in associates | | |
| (a) Investments in associates | | |
| Investments in associates accounted for by the equity method are: | | |
| - Corangamite Regional Library Corporation | 569 | 552 |
| Corangamite Regional Library Corporation | | |
| Background | | |
| Warrnambool City Council in conjunction with Colac Otway Shire, Corangamite Shire and Moyne Shire have an interest in the Corangamite Regional Library Corporation. The Library Corporation services much of the population of the South West Victoria and Warrnambool City Council currently has a 38.91% equity interest (39.4% in 2016/17) | | |
| Fair value of Council's investment in Corangamite Regional Library Corporation | 569 | 552 |
| Council's share of accumulated surplus/(deficit) | | |
| Council's share of accumulated surplus/(deficit) at start of year | 422 | (213) |
| Reported surplus/(deficit) for year | 22 | 53 |
| Transfers (to) / from reserves | (15) | 576 |
| Movement in equity share | (5) | 6 |
| Council's share of accumulated surplus/(deficit) at end of year | 424 | 422 |
| Council's share of reserves | | |
| Council's share of reserves at start of year | 130 | 706 |
| Transfers (to) from reserves | 15 | (576) |
| Council's share of reserves at end of year | 145 | 130 |
| Movement in carrying value of specific investment | | |
| Carrying value of investment at start of year | 552 | 493 |
| Share of surplus(deficit) for year | 22 | 53 |
| Share of asset revaluation | - | - |
| Distributions received | - | - |
| Movement in equity share | (5) | 6 |
| Carrying value of investment at end of year | 569 | 552 |

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Notes to the Financial Report

(b) Committees of management**Port of Warrnambool**

The Council is the Committee of Management for the Port of Warrnambool. The financial transactions have been included in Council's financial statements and are summarised below:

| | 2018 | 2017 |
|--------------------------|------------|-------------|
| | \$'000 | \$'000 |
| Income | | |
| Grants - operating | 91 | 89 |
| User fees | 5 | 6 |
| Grants - capital | 307 | 107 |
| Total Income | 403 | 202 |
| Expenditure | | |
| Materials and Services | 90 | 178 |
| Capital expenditure | 170 | 96 |
| Total Expenditure | 260 | 274 |
| Profit / (Loss) | 143 | (72) |

The operation of the Port of Warrnambool is by an agreement between Warrnambool City Council and the Department of Transport. Any assets are returnable on cessation of the agreement.

Notes to the Financial Report

Note 6 People and relationships**6.1 Council and key management remuneration****(a) Related Parties**

Parent entity

Warrnambool City Council is the parent entity.

Subsidiaries and Associates

Interests in associates are detailed in Note 5.3.

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

| | |
|-------------|---|
| Councillors | Councillor Robert Anderson (Mayor - from 30 October 2017) |
| | Councillor Kylie Gaston (Mayor from 1 July 2017 to 30 October 2017) |
| | Councillor Sue Cassidy |
| | Councillor Tony Herbert |
| | Councillor Peter Hulin |
| | Councillor Michael Neoh |
| | Councillor David Owen |

Chief Executive Officer

Mr Bruce Anson

Key Management Personnel

Director Community Development Ms Vikki King
 Director City Infrastructure Mr Scott Cavanagh
 Director Corporate Strategies Mr Peter Utri
 Director City Growth Mr Andrew Paton

| | 2018 | 2017 |
|--|-----------|-----------|
| | No. | No. |
| Total Number of Councillors | 7 | 11 |
| Chief Executive Officer and other Key Management Personnel | 5 | 5 |
| Total Key Management Personnel | 12 | 16 |

| (c) Remuneration of Key Management Personnel | 2018 | 2017 |
|---|--------|--------|
| | \$'000 | \$'000 |

Total remuneration of key management personnel was as follows:

| | | |
|---------------------|--------------|--------------|
| Short-term benefits | 1,589 | 1,379 |
| Long-term benefits | 190 | 343 |
| Total | 1,779 | 1,722 |

| The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands: | 2018 | 2017 |
|---|-----------|-----------|
| | No. | No. |
| \$1 - \$9,999 | - | 4 |
| \$10,000 - \$19,999 | - | 4 |
| \$20,000 - \$29,999 | 5 | 2 |
| \$40,000 - \$49,999 | 1 | - |
| \$60,000 - \$69,999 | 1 | - |
| \$70,000 - \$79,999 | - | 1 |
| \$190,000 - \$199,999 | 3 | 4 |
| \$200,000 - \$209,999 | 1 | - |
| \$300,000 - \$309,999 | - | 1 |
| \$310,000 - \$319,999 | 1 | - |
| Total number | 12 | 16 |

Notes to the Financial Report

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$145,000

The number of Senior Officers are shown below in their relevant income bands:

| | | | 2018 | 2017 |
|---|--|--|-----------|-----------|
| Income Range: | | | No. | No. |
| \$ 30,000 - \$ 35,999 | | | 1 | - |
| \$130,000 - \$135,999 | | | 1 | - |
| \$140,000 - \$145,999 | | | - | 1 |
| \$145,000 - \$149,999 | | | - | - |
| \$150,000 - \$159,999 | | | 1 | 1 |
| | | | 3 | 2 |
| Total Remuneration for the reporting year for Senior Officers included above, amounted to | | | \$319,000 | \$294,000 |

Notes to the Financial Report

- 6.2** Related party disclosure
 (a) Transactions with related parties
 During the period Council entered into the following transactions with related parties.

| Councillor | Related Party | Nature of relationship | Terms and Conditions | Nature of Transactions | Aggregate Total \$'000 |
|-----------------------|---|--------------------------|----------------------|--|------------------------|
| Cr Cassidy | The Cassign Trust trading as Cassign | Spouse Controlled Entity | Commercial | Supply and installation of signage | 47 |
| Cr Cassidy | Rotary Club of Warrnambool | Board Member | Commercial | Contributions to Rotary Club of Warrnambool - Daybreak programs | 4 |
| Cr Cassidy / Mr Paton | Lyndoch Living Warrnambool | Board Member | Commercial | Aged Care services | 51 |
| Cr Herbert | Bellagio Properties Pty Ltd | Director | Commercial | Developer contribution payment | (49) |
| Cr Neoh | South West Sport | Executive Officer | Commercial | Training workshops and contributions to community clubs | 2 |
| Cr Neoh | South West Sport | Executive Officer | Commercial | Rental of venues | (3) |
| Cr Owen | Warrnambool Surf Lifesaving Club | Committee Member | Commercial | Contributions and support to the Warrnambool Surf Life Saving Club | 21 |
| Cr Owen | Warrnambool Surf Lifesaving Club | Committee Member | Commercial | Lease and expenses of Council site | (6) |
| Mr Paton | Great Ocean Road Regional Tourism Limited | Board Member | Commercial | Contribution to Regional Tourism Board | 206 |
| Mr Paton | Great Ocean Road Regional Tourism Limited | Board Member | Commercial | Project funding | (18) |

Notes to the Financial Report

(b) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties

| Councillor | Related Party | Nature of relationship | Terms and Conditions | Nature of Transaction | 2018 \$'000 | 2017 \$'000 |
|------------|----------------------------------|------------------------|----------------------|------------------------------------|----------------|----------------|
| Cr Herbert | Motang Park Pty Ltd | Director | Commercial | Developer contribution payments | 0 | (72) |
| Cr Herbert | Bellagio Properties Pty Ltd | Director | Commercial | Developer contribution payments | (49) | 0 |
| Cr Owen | Warrnambool Surf Lifesaving Club | Committee Member | Commercial | Lease and expenses of Council site | (1) | 0 |
| Cr Neoh | South West Sport | Executive Officer | Commercial | Rental of venues | (2) | 0 |

(c) Loans to/from related parties

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows:

| 2018 \$'000 | 2017 \$'000 |
|----------------|----------------|
| 0 | 0 |

(d) Commitments to/from related parties

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

| 2018 \$'000 | 2017 \$'000 |
|----------------|----------------|
| 0 | 0 |

Notes to the Financial Report

Note 7 Managing uncertainties**7.1 Contingent assets and liabilities****(a) Contingent assets**

Construction of infrastructure assets by developers in the course of creating new subdivisions results in the infrastructure assets being vested in Council when Council issues a Statement of Compliance.

At reporting date, developers had commenced construction of assets that will eventually be transferred to Council contingent upon Council issuing a Statement of Compliance.

Due to the nature of the arrangements in place and the assets involved, a contingent asset amount cannot be reliably measured prior to completion.

(b) Contingent liabilities**Superannuation**

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

(c) Guarantees for loans to other entities

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

The Council acts as guarantor in respect of bank loans provided to the following clubs and community groups:

| Entity and Institution | Original Loan \$'000 | Balance of borrowings | |
|--|-------------------------|-----------------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 |
| City Memorials Bowls Club - Commonwealth Bank | 2,000 | 5 | 7 |
| Warrnambool Returned Services Club - Commonwealth Bank | 3,351 | 2,952 | 2,634 |
| Warrnambool Football Club - Commonwealth Bank | 800 | 793 | - |

7.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2018 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Financial Instruments - Disclosures (AASB 7) (applies 2018/19)

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed.

Financial Instruments (AASB 9) (applies 2018/19)

The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.

Revenue from contracts with customers (AASB 15) (applies 2019/20 for LG sector)

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

Notes to the Financial Report

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

Leases (AASB 16) (applies 2019/20)

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.

7.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the Notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

Notes to the Financial Report

There are no material financial assets which are individually determined to be impaired. Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 7.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various liquid instruments, such as term deposits and at call accounts;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 7.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 4.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 1.5%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

7.4 Fair value measurement

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy. Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Notes to the Financial Report

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 4 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

7.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

Notes to the Financial Report

| Note 8 | Other matters | | | |
|--------|--|--|-------------------------|------------------------------------|
| 8.1 | Reserves | Balance at beginning of reporting period | Increment / (decrement) | Balance at end of reporting period |
| | (a) Asset revaluation reserves | \$'000 | \$'000 | \$'000 |
| | 2018 | | | |
| | Property | | | |
| | Land | 124,063 | - | 124,063 |
| | Buildings | 99,181 | 25 | 99,206 |
| | | 223,244 | 25 | 223,269 |
| | Infrastructure | | | |
| | Roads | 155,467 | (19,842) | 135,625 |
| | Bridges | 15,346 | - | 15,346 |
| | Footpaths and cycleways | 390 | 287 | 677 |
| | Drainage | 21,218 | - | 21,218 |
| | Corangamite Regional Library Corporation | 706 | - | 706 |
| | Artworks | 1,585 | - | 1,585 |
| | Other infrastructure | 29,041 | - | 29,041 |
| | | 223,753 | (19,555) | 204,198 |
| | Total asset revaluation reserves | 446,997 | (19,530) | 427,467 |
| | 2017 | | | |
| | Property | | | |
| | Land | 124,063 | - | 124,063 |
| | Buildings | 99,181 | - | 99,181 |
| | | 223,244 | - | 223,244 |
| | Infrastructure | | | |
| | Roads | 156,007 | (540) | 155,467 |
| | Bridges | 3,501 | 11,845 | 15,346 |
| | Footpaths and cycleways | - | 390 | 390 |
| | Drainage | 21,218 | - | 21,218 |
| | Recreational, leisure and community facilities | - | - | - |
| | Waste management | - | - | - |
| | Parks, open space and streetscapes | - | - | - |
| | Corangamite Regional Library Corporation | 706 | - | 706 |
| | Artworks | 1,585 | - | 1,585 |
| | Other infrastructure | 29,041 | - | 29,041 |
| | | 212,058 | 11,695 | 223,753 |
| | Total asset revaluation reserves | 435,302 | 11,695 | 446,997 |

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time. The Corangamite Regional Library Corporation recognises the fair value of revalued assets in their books.

Notes to the Financial Report

| | Balance at beginning of reporting period | Transfer from accumulated surplus | Transfer to accumulated surplus | Balance at end of reporting period |
|---|--|-----------------------------------|---------------------------------|------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (b) Other reserves | | | | |
| 2018 | | | | |
| Main drainage fund | 67 | - | 4 | 63 |
| Committed reserve | 3,479 | 598 | - | 4,077 |
| Heritage restoration fund | 44 | 1 | - | 45 |
| Insurance claims reserve | 90 | - | - | 90 |
| Information technology reserve | 131 | - | - | 131 |
| Art gallery reserve | 45 | 1 | - | 46 |
| Resort and recreation reserve | 422 | - | 8 | 414 |
| Car park fund | 723 | - | 702 | 21 |
| North of the merri developer contribution reserve | 372 | 10 | - | 382 |
| Hopkins point road developer contribution reserve | 87 | - | 74 | 13 |
| Northeast DCP | 639 | 16 | - | 655 |
| Total other reserves | 6,099 | 626 | 788 | 5,937 |
| 2017 | | | | |
| Main drainage fund | 679 | - | 612 | 67 |
| Committed reserve | 3,953 | - | 474 | 3,479 |
| Heritage restoration fund | 43 | 1 | - | 44 |
| Insurance claims reserve | 90 | - | - | 90 |
| Information technology reserve | 131 | - | - | 131 |
| Art gallery reserve | 44 | 1 | - | 45 |
| Resort and recreation reserve | 314 | 108 | - | 422 |
| Car park fund | 479 | 244 | - | 723 |
| North of the merri developer contribution reserve | 363 | 9 | - | 372 |
| Hopkins point road developer contribution reserve | 128 | - | 41 | 87 |
| Northeast DCP | - | 639 | - | 639 |
| Total other reserves | 6,224 | 1,002 | 1,127 | 6,099 |

Main Drainage Fund is maintained specifically for future major drainage works.

Committed Reserve is specifically for predetermined works and Councils small infrastructure fund.

Heritage Restoration Fund is maintained specifically for grant loans for heritage works.

Insurance Claims Reserve is maintained specifically for Council's self-insurance.

Information Technology Reserve is maintained specifically for major information technology upgrades.

Art Gallery Reserve is maintained specifically for the purchase of art pieces.

Resort and Recreation Reserve is maintained specifically for public open space works.

Car Park Fund is maintained specifically for future major car park works.

North of the Merri Developer Contributions Reserve is maintained specifically for contributions held in this growth area.

Hopkins Point Road Developer Contributions Reserve is maintained specifically for contributions held in this growth area.

Northeast DCP Developer Contributions Reserve is maintained specifically for contributions held for the growth areas of Dales Road and Aberline Road.

Notes to the Financial Report

| | 2018 | 2017 |
|---|---------------|---------------|
| 8.2 Reconciliation of cash flows from operating activities to surplus/(deficit) | \$'000 | \$'000 |
| Surplus/(deficit) for the year | 6,024 | 11,665 |
| Add / (deduct) non-cash items: | | |
| Depreciation | 12,265 | 10,936 |
| Bad and doubtful debts expense | 129 | - |
| Profit/(loss) on disposal of property, infrastructure, plant and equipment | 810 | 2,465 |
| Contributions - Non-monetary assets | (1,460) | (4,806) |
| Found Assets | (691) | (2,832) |
| Share of net profits (or loss) of associates | (22) | (53) |
| Prior year WIP written off | 1,568 | - |
| Change in assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | 1,158 | (590) |
| (Increase)/decrease in prepayments | (602) | (149) |
| (Increase)/decrease in accrued income | 79 | (168) |
| (Increase)/decrease in inventories | 5 | (69) |
| Increase/(decrease) in trust deposits | 113 | (72) |
| Increase/(decrease) in trade and other payables | (44) | 197 |
| Increase/(decrease) in provisions | 329 | 1,258 |
| Increase/(decrease) in accrued expenses | (495) | (179) |
| Increase/(decrease) in net GST | 120 | - |
| Net cash provided by/(used in) operating activities | 19,286 | 17,603 |

Notes to the Financial Report

8.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2018, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan. There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. As at 30 June 2017, a full triennial actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 6.5% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 30 June 2018 was 106.0%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2017 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Notes to the Financial Report

Employer contributions

Regular contributions

On the basis of the results of the 2017 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2018, this rate was 9.5% of members' salaries (9.5% in 2016/2017). This rate will increase in line with any increases in the SG contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2017 triennial actuarial investigation surplus amounts

The Fund's triennial investigation as at 30 June 2017 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$69.8 million
- A total service liability surplus of \$193.5 million.
- A discounted accrued benefits surplus of \$228.8 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017. Council was notified of the 30 June 2017 VBI during August 2017.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to the investigation date.

2018 interim actuarial investigation

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in December 2018.